



## Project Wine, boutique growers join forces to satisfy Asia's growing thirst

**EXCLUSIVE**

**DAMON KITNEY**

BEVERAGES

The wine group backed by former BRL Hardy chief executive Stephen Millar is poised to make its second investment in an embattled Barossa Valley producer in six

months as more cash-strapped boutique winemakers look for ways to keep their companies afloat to take advantage of improving conditions in the local industry.

Project Wine, a South Australian wine company backed by Mr Millar and shareholders that include former federal minister Amanda Vanstone and two Chinese businessmen, has taken a

25 per cent stake in establishment Barossa producer Gomersal Wines, which has roots back to 1887.

Project Wine's 45 per cent Chinese shareholders, Shanghai-based Wei Li and Beijing-based Hongwei Hao, have also taken an equity position in Gomersal.

"We now do the winemaking, processing and distribution for

them. The quality was always good and that is really starting to flow," Mr Millar said. "We are looking for more examples of companies like that.

"Companies that have a good brand but are not strong enough or big enough to have quality winemaking and distribution. Partnerships like that are a win-win situation for us and them."

The move comes as a raft of family-owned winemakers expect an earnings boost in 2016 from the lower dollar and free trade agreements signed by the federal government.

Many reported flat sales and profit for fiscal 2015 but are confident of better conditions this year.

For Australian wine exporters, the lower dollar is driving renewed confidence in the sector. Accolade Wines, the second-largest wine company in Australia that boasts

brands such as Hardys, Leasingham and Banrock Station, is eyeing a public float in the coming months as 80 per cent-owned CHAMP Private Equity prepares to sell its stake.

"The industry is in an interesting position. The Australian dollar

coming down is the biggest plus," said Mr Millar, who in 10 years took BRL Hardy from being a \$100 million company to one of the industry's biggest names before US wine giant Constellation completed a successful \$2 billion takeover in 2003.

His Project Wine group, which is profitable, owns the Langhorne

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## Wine producers join forces to satisfy thirst

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Creek Winery in South Australia and is run by former Lion Nathan executive Paul Zerella.

While the company began as a contract winemaker for about 25 South Australian grower companies, it has been increasingly focused on building its own branded portfolio, which includes labels such as Parson's Paddock, Bird's Eye View, Three Pillars, Grower's Gate and New Zealand-sourced Kiwi Walk, which are sold through the Coles liquor chain.

In late 2014 it purchased a portfolio of brands that for the first time gave it sales into the Woolworths-owned industry powerhouse Dan Murphy's.

Project Wine is now producing more than 200,000 cases of packaged wine and 200,000 cases of bulk wine for distribution in Australia and in offshore markets such as Japan and China, through a company called Vinternational, which is controlled by Project Wine and chaired by Mr Millar.

"The Chinese market is starting to grow again, driven by the bottom end. I think as that starts to grow again, that will start to increase the middle market," Mr

Millar said, reflecting upon the debilitating impact of the slowdown in the Chinese economy and a government crackdown against corruption on Australian wine sales.

"The Chinese market has had a few problems. It has been a bit tougher. Our volumes have eased

off a bit. But overall China is a very significant market and I think will grow. If you look a decade ahead, it will be very significant. The free trade agreement has not bitten yet, but it will. In time, it will make us more competitive."

While Project Wine made its first move into the US last year, it was hit hard by the hangover for Australian brands from the high dollar and so four months ago it decided to quit the market.

"We have decided to get out. We have cut our losses and we have got out and we will save a lot of money as a result. It is still very difficult to sell Australian wines in the US," Mr Millar said.

But he recently met with representatives of US wine giant Gallo who were in Australia looking at new opportunities.

"All of a sudden Australian wine is far more competitive than it was. But it is not high on their (the US wine companies') agenda.



It has fallen in a hole. And it is going to take time. It needs the big guys to drive it. It will not be driven by us small guys.”

The Treasury Wine Estates-owned Beringer last month launched its first major US advertising push in five years, using Instagram for a campaign featuring postcard-style images.

With its US push, Treasury is focusing on wines priced from \$US10 to \$US100-plus a bottle rather than cheaper offerings.

In October, Treasury also purchased the US and British wine portfolio of global drink conglomerate Diageo.



**Project Wine's Paul Zerella, left, and Stephen Millar**